

Message Text

SECRET

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ACTION EB-03

INFO OCT-01 SS-14 ISO-00 TRSE-00 EUR-08 INR-05 CIAE-00

DODE-00 IGA-01 PRS-01 NSC-05 NSCE-00 SP-02 OMB-01

L-01 /042 W

-----051216Z 014039 /47

P 051052Z MAY 77

FM AMEMBASSY LISBON

TO SECSTATE WASHDC PRIORITY 1211

AMEMBASSY BONN

S E C R E T LISBON 3547

LIMDIS

DEPT. PASS TREASURY FOR SYVRUD

E.O. 11652: GDS

TAGS: EFIN, PO

SUBJ: FINANCIAL ASSISTANCE FOR PORTUGAL

REF: STATE 100831

1. ECONOMIC COUNSELOR MET WITH GERMAN EMBASSY OFFICER AFTERNOON OF MAY 4. LATTER STATED THAT FRG IS COMMITTED TO HELP RESOLVE PORTUGAL'S EVIDENT REQUIREMENT FOR PROMPT EXTERNAL FINANCING, BUT HAS TREMENDOUS DIFFICULTY SELECTING AN APPROPRIATE PROCEDURE BECAUSE GERMAN MINISTERS BELIEVE THEY CANNOT UTILIZE BUDGET PROCESS. (HE ADMITTED THAT SOME DISCONTENT EXISTS OVER EARLIER USG AND PRESS HANDLING OF CONSORTIUM PROPOSAL, BUT EMPHASIZED THAT THIS FACTOR IS TOTALLY INSIGNIFICANT.) FRG INABILITY FIND ACCEPTABLE PROCEDURE PRESUMABLY ACCOUNTS FOR ITS RATHER VAGUE PRESENTATIONS TO USG AND GOP. CONSIDERATION BEING GIVEN TO BOTH IMF AND PRIVATE BANK LOANS GUARANTEED BY FRG AS POSSIBLE ROUTES. IN RESPONSE TO DIRECT QUESTION, HE INDICATED THAT GERMANY, WHICH RECENTLY HAS APPARENTLY SHOWN A PREFERENCE TO ACT BILATERALLY ON THIS ISSUE, WOULD PROBABLY BE WILLING

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TO INCLUDE ITS BILATERAL FINANCING UNDER A MULTILATERAL UMBRELLA. HE STRESSED, HOWEVER, THAT DECISION ON TIMING AND PROCEDURES HAS NOT BEEN MADE. FINAL DECISION, INCLUDING POSSIBLE CHANGE IN ATTITUDE TOWARD BUDGET POSSIBILITY, ADMITTEDLY RESTS WITH SCHMIDT.

2. COMMENT: DISCUSSION INDICATES THAT FRG RECOGNIZES

BOTH PORTUGAL'S URGENT NEED FOR SIZEABLE MEDIUM-TERM FOREIGN CREDITS AND DESIRABILITY OF GERMANY'S PROVIDING PART OF THOSE CREDITS. IF LOCAL GERMAN EMBASSY ACCURATELY REFLECTS FRG ATTITUDES, IT LOOKS LIKE GERMANS MAY ULTIMATELY AGREE TO PARTICIPATE IN MULTILATERAL CREDIT, BUT THE MULTILATERAL FRAMEWORK WILL HAVE TO BE HIGHLY FLEXIBLE IN ORDER TO ENCOMPASS GERMAN PROCEDURES. WE MIGHT NOTE, HOWEVER, THAT LOCAL FRG EMBASSY IS NOT ALWAYS FULLY CLUED IN BY BONN. CARLUCCI

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